

~~CONFIDENTIAL~~
~~SECRET~~

PROVISIONAL INTELLIGENCE REPORT

ECONOMIC REHABILITATION OF NORTH KOREA
THROUGH 1960

CIA/RR PR-138-S-1

25 April 1956

NOTICE

The data and conclusions contained in this report do not necessarily represent the final position of ORR and should be regarded as provisional only and subject to revision. Comments and data which may be available to the user are solicited.

WARNING

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

~~SECRET~~
~~CONFIDENTIAL~~

DOCUMENT NO. 1
NO CHANGE IN CLASS. ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 1989
AUTH: HR 70-2

~~SECRET~~

FOREWORD

This report, the first supplement to CIA/RR PR-138 (25 April 1956, SECRET), deals with the economic developments in North Korea through 1960.

- iii -

~~SECRET~~

~~SECRET~~

CONTENTS

	<u>Page</u>
Summary	1
1. Economic Growth	1
2. Agriculture	2
3. Modern Industry	2
4. Transport	5

~~SECRET~~

CIA/RR PR-138-S-1
(ORR Project 15.851)

~~SECRET~~

ECONOMIC REHABILITATION OF NORTH KOREA THROUGH 1960*

Summary

The peak levels of production in industry and agriculture in North Korea reached before the Korean War probably will be achieved or exceeded during 1956-60 if the economic assistance of the Sino-Soviet Bloc is continued at about the same level. As a result of this probable economic growth and Bloc aid, it is possible that by the end of 1960 the North Korean economy will become a basic part of the Far Eastern economy of the Sino-Soviet Bloc.

1. Economic Growth.

The level of economic development in North Korea by the end of 1960 can be best determined by estimating the impact of 1953-56 Sino-Soviet Bloc investments in the rehabilitation and restoration of the North Korean economy on prewar production levels; by ascertaining how long the Bloc intends to continue supplying North Korea with technical and material aid at approximately the 1953-56 rate; and by projecting the estimated rate of economic growth in North Korea through 1960.

a. Sino-Soviet Bloc Aid.

Under existing aid agreements, North Korea may expect free economic aid from the USSR and Rumania through 1956; from Communist China, Poland, and Hungary through 1957; from Czechoslovakia through 1960; and from East Germany through 1964. Although free economic aid from all Bloc countries except Czechoslovakia and East Germany is scheduled to end by 1958, North Korea probably will continue to receive Bloc technical and material assistance but will be obliged to pay for imports by exporting nonferrous metals and minerals, construction materials, and chemical products in addition to the traditional exporting of agricultural and fish products.

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 April 1956.

~~SECRET~~

~~SECRET~~

b. Technology.

Economic growth in North Korea has been, and probably will continue to be, regulated principally by the size and efficiency of the North Korean technological manpower reserve and, secondly, by the successful integration and utilization of this reserve in the war-torn North Korean economy. Thus far, shortage of technical skill has been a major deficiency and has been continually responsible for impairing the quantity and quality of production of such industrial items as cement, coal, nonferrous metals, machine tools, and farm equipment. Sino-Soviet Bloc technicians and advisers, however, aware of this deficiency, have been instrumental both in filling many of the technological gaps in major North Korean industrial establishments and in providing basic training for the development of a skilled labor force in North Korea by on-the-job training, by staffing North Korean industrial institutes, and by training promising North Korean students within the Bloc. It is possible that by the end of 1960, with a continuation of such assistance, the North Korean skilled labor force will be capable of assuming most of the more technical industrial positions now held by Bloc technicians.

2. Agriculture.

In the field of agriculture, if present plans are implemented, the majority of North Korean farm households, if not all of them, will have been collectivized by the end of 1960. The success of the program for the organization of agricultural cooperatives will be dependent on the regime's success in eliminating such current widespread defects as mismanagement and indifference and antipathy on the part of cooperative members. By the end of 1960 the increased use of chemical fertilizers, insecticides, and better quality seeds, combined with improved irrigation facilities should provide an annual food crop harvest of over 3 million metric tons compared with 2.78 million metric tons in 1955.

3. Modern Industry.

The extent of progress by the end of 1960 in the fields of electric power, ferrous metals, nonferrous metals, coal, cement, chemicals, general machinery, and consumer goods is summarized below.

~~SECRET~~

a. Electric Power.

The need for expanding electric power capacity in excess of the 1956 goal of 1.35 million kilowatts will be determined principally by the amount of increase in the power requirements of such major power consumers as chemical plants, steel furnaces, nonferrous metal smelters, and mining installations, many of which are now being rehabilitated and put back into operation. Current production of electric power is still below capacity, and power plants probably will not operate at full capacity at least until the chemical industry, which has always been the largest consumer of electric power in North Korea, is fully restored to prewar levels, perhaps in 1958 or 1959. Thus the current electric power capacity goal of 1.35 million kilowatts should be adequate at least until 1958. From 1958 to 1960, if Bloc economic aid is continued on the present scale, it is possible that North Korea will expand present efforts to exploit its vast natural hydroelectric resources and will set as its goal the original Japanese-planned power capacity goal of 3 million kilowatts.

b. Ferrous Metals.

As economic plans in North Korea are still based on the prevailing Communist policy of expanding heavy industry in preference to other sectors of the economy, it is likely that from 1956 to 1960 the major share of annual economic reconstruction expenditures will continue to be invested in heavy industry. It is possible that during this period the major goal in the ferrous metals field will be a restoration of the production capacity of the 4 major iron and steel plants -- Kimchaek, Hwanghae, Songjin, and Kangson -- to the 1944-45 all-time peak level: pig iron, 900,000 metric tons; ingot steel, 240,000 metric tons; and rolled steel, 170,000 metric tons. These goals would allow for substantial exports of pig iron to the Bloc.

c. Nonferrous Metals.

Investment in the expansion of nonferrous mines and smelters probably will continue to receive a high priority, especially because of the growing importance of nonferrous metals as a major North Korean export item. By the end of 1960, if the USSR in particular continued to supply technical and material aid to North Korean non-ferrous mines and smelters at approximately the present rate, all

~~SECRET~~

~~SECRET~~

major mines and smelters which previously had been in operation probably will be producing again. Furthermore, North Korean production of such important nonferrous metals as copper, lead, and zinc probably will attain and exceed the highest prewar levels.

d. Coal.

As the need for increasing coal production in North Korea is closely related to the demands of the expanding industrial sector and as the major share of North Korean budget revenues probably will continue to be invested in expanding heavy industry, such factors as modernization, mechanization, and expansion of present coal facilities probably will continue to be the chief targets in the coal industrial sector. Although North Korea will continue to be dependent on imports of bituminous coal because of a lack of deposits, production of anthracite and lignite coal probably will attain or exceed the prewar peak level of 6 million metric tons within the next 2 years (1956-57).

e. Cement.

Because of the intrinsic significance of cement as a limiting factor in the size of the current North Korean rehabilitation program, it is probable that large investments will continue to be made in expanding cement production facilities. Present efforts to improve both the quality and quantity of cement probably will continue to receive a high priority. By the end of 1960, assuming the present size of Bloc shipments of cement production equipment is continued, it is possible that the peak prewar cement production capacity of 1.7 million metric tons will be attained.

f. Chemicals.

The major investment in the chemical industry probably will continue to be in the expansion of nitrogenous chemical facilities, particularly those used in the production of fertilizers. By the end of 1960, if the present rate of Sino-Soviet Bloc aid to the North Korean chemical industry is continued, all major chemical plants probably will be back in full operation and producing at a rate in excess of prewar peak levels.

~~SECRET~~

~~SECRET~~

g. Machinery.

Facilities for the production of machinery in North Korea were never developed to any significant degree under the Japanese. The lack of machinery plants continues to be a major weakness in the current rehabilitation effort because of a scarcity of essential raw materials, processing facilities, and skilled labor. During 1956 through 1960 a continuation of Bloc supplies of capital equipment and technical aid probably will assure the development of a modest engineering industry, capable of producing agricultural implements, certain types of textile and mining machinery, automotive parts, hand tools, low-precision machine tools, and other simple types of engineering products.

h. Consumer Goods.

Further construction and expansion of consumer industry plant facilities beyond those contemplated in the Three Year Plan (1954-56) probably will be slight because of the traditional low investment priority placed on the consumer goods sector of the North Korean economy by the Communists. Instead, greater emphasis probably will be placed on increasing output by utilizing existing plant facilities more intensively and by raising the level of production per worker. By the end of 1960, as a result of more efficient and intensive use of labor and production facilities and with continued Bloc technical assistance, North Korea probably will be producing such major consumer goods as cotton and silk textiles, rubber shoes, and paper at a rate well in excess of 1956 goals.

4. Transport.

In the field of transport, the principal target probably will continue to be the expansion and improvement of railroad facilities, including the electrification of all major trunk lines, the construction of an alternate east-west line, the construction of feeder lines to strategic industrial installations, the expansion of freight car and locomotive parks, and the improvement of track and roadbed conditions. Another major target probably will be the improvement of railroad operating efficiency by training a larger number of skilled technicians and by reducing freight car turnaround time.

~~SECRET~~

Approved For Release 1999/09/08 : CIA-RDP79-01093A001100020001-4

~~CONFIDENTIAL~~
~~SECRET~~

~~SECRET~~
~~CONFIDENTIAL~~

Approved For Release 1999/09/08 : CIA-RDP79-01093A001100020001-4